

letters

Rewald, Philippines...

9/29/83 System favors rich?

I have read articles pertaining to Mr. Rewald, and feel that his bail is outrageous compared to the bail of other offenders who have committed violent crimes.

Because the crime was against people of wealth perhaps Rewald's penalty is more severe than the penalty given to persons committing crimes against the middle and lower classes of our society.

I feel very strongly that we should all question whether our judicial system favors the rich.

SANDRA J. PARKS

A-6 Saturday, September 24, 1983 The Honolulu Advertiser

Graulty named Rewald trustee

State Rep. Reynaldo Graulty has been named as the new bankruptcy trustee in the Bishop, Baldwin, Rewald, Dillingham and Wong case, an attorney for the trustee said yesterday.

Graulty, a lawyer, will replace interim trustee Thomas Hayes, but will ask that Hayes remain working as an administrator doing much of the same work he is doing now, according to trustee attorney James Wagner.

Hayes did not want the permanent trusteeship because he believed it was too time-consuming for fees he could earn, an amount that has a ceiling of 1 percent of the gross recovery, Wagner said.

As a salaried administrator, Hayes will be "compensated more fairly" for the work he is doing, the attorney said. Hayes's proposed salary, which must be approved by federal Judge Martin Pence, is \$9,000 per month to Dec. 31 and \$6,000 per month after that, according to Wagner.

Graulty, a member of a panel available to serve as bankruptcy trustees, is experienced in bankruptcy matters and is "comfortable with taking the case," Wagner said.

The formal court papers showing that Graulty's appointment was approved by Pence will be filed next week, Wagner

said.

"We've begun to fill him in on the background," the attorney said.

Graulty, 35, is a Democratic legislator representing the 28th House District (Shafter-Moanalua).

Nation

Fantasy Island, Aloha-Style

In \$8.4 million investment scheme rocks Hawaii's upper crust

Ronald Rewald shuffled along the 26th-floor corridor of his former Honolulu office building one morning in early September, looking dazed and uncomfortable. No wonder. The once prominent international investor was manacled and foot and accompanied by two guards, who watched as he searched for records that bankruptcy officials might have overlooked. None could be found.

Until this summer there had been few hints of trouble in paradise. Over the past few years, Rewald, 41, had persuaded some 400 investors, many of them Hawaiian plutocrats and VIPs, to pour \$13 mil-

lion into his firm: he bought a \$950,000 house previously owned by deposed Cambodian Strongman Lon Nol and became chummy with Jack Lord, star of the 1968-80 *Hawaii Five-O* TV series. "Investors" included Lieut. General Arnold Braswell, the Air Force's retiring Pacific commander (more than \$100,000), and John Kindschi, the former CIA chief in Honolulu (\$185,000).

In reality, B.B.R.D. & W. made few actual investments: part of a travel agency here, a piece of a car dealership there. The "business" was little more than a high-stakes chain letter that lasted two or three



Film Operator Rewald in better days: entertaining Jean Ariyoshi, the Governor's wife
was like having a firm called Rockefeller, Harriman, Cabot, Forbes & Roosevelt.

ion into his firm. As recently as last June, he had been a local bigwig himself, owner of the Hawaii Polo Club and snobber with Governor and Mrs. George Ariyoshi. But in August an Oahu and jury indicted him for theft; claims of nearly \$8.4 million have been filed against him. Pronounced Bankruptcy Trustee Thomas Hayes: "The money is gone."

Aloha and goodbye: compared with his native Milwaukee, Honolulu must have seemed like Fantasy Island. He came in 1977 to start a new life. He promptly hooked up with Real Estate salesman Sunlin Wong and created an investment firm grandly named Bishop, Baldwin, Rewald, Dillingham & Wong. Rewald and Wong, however, were the only unmisleading names on the company's letterhead. The others were included to convince investors that the firm was connected to Hawaii's old-line, blue-chip shops, Baldwins and Dillinghams, which it was not. Says one local businessman: "It was as if he arrived in Manhattan and had a firm called Rockefeller, Harriman, Cabot, Forbes & Roosevelt."

However brazen the bluff, the name-dropping worked. To prospective investors, Rewald looked gilt-edged by asso-

ciation: earlier investors were paid dividends out of funds forked over by later ones. Of \$1.3 million taken in last June, for instance, \$326,000 in "interest" was paid out to earlier investors. But that same month a quarter of a million dollars was siphoned off by Rewald. He used the money to pay for exotic travel, his children's full-time tutor, and upkeep for two Hawaiian ranches, where he stabled his 17 or more polo ponies.

When state regulators became aware in July of the firm's false claim that it was FDIC-insured, Rewald's world began to unravel. The IRS and Securities and Exchange Commission started probing Rewald's affairs early this year. State officials issued investigative subpoenas in late July after Rewald's firm published *Capital Flight from Hong Kong and How Hawaii Can Benefit*, a report so transparently amateurish that it instantly raised eyebrows in Honolulu's financial circles. A few days later Rewald checked into a Waikiki hotel and slashed his wrists. Wong is in Honolulu and is cooperating with the federal investigation. Since his hospital recovery, Rewald has been in custody and remains in Honolulu's Oahu prison in lieu of \$10 million bail.

TIME, OCTOBER 3, 1983

B-2 Honolulu Star-Bulletin Wednesday, September 7, 1983

Dave Donn

It was a quiet Labor Day in Columbia Inn Monday when suddenly the bar filled up with a couple of dozen white clad sailors ordering *cerveza* on a hot afternoon. Turns out they



were members of the only ship in the Mexican navy, and they were in port in Honolulu. Don't ask why they were in Columbia Inn instead of on Hotel Street—maybe they were looking for p.r. man Hector Venegas, the Merry Mex, whose office is above the Inn . . . Localite Ron Watson got some nice publicity for the open international tournaments in softball, rugby, volleyball, bicycling and basketball he plans to hold here in the next 12 months. His program was written up in the current *Sports Illustrated*, quoting Watson as calling it an "Olympics" for "recreational athletes." It gives the Midas Muffler team of Keokuk, say, an opportunity to take on the Elks of Elkhart in Honolulu . . .

MR. LUCKY T-shirt manager Michael Corcoran has come out with a "Free Rewald" T-shirt, inspired, he says, by the fact people charged

with rape and murder get off easy in Hawaii but the book has been thrown at the former head of Bishop, Baldwin, Rewald, Dillingham & Wong. Says Corcoran, "Murder and rape are



cheap crimes but mess with the man's money and you're looking at some hard time." He's donating 50-cents from every shirt sold to the Rewald defense fund . . . I suppose it's a quantum leap to now mention Merrill Lynch Pierce Fenner & Smith, but Pete Sansevero, who used to run the firm's Honolulu office, has been named regional director for the Northwestern U.S. for Merrill Lynch and he'll be in charge of 35 offices. Fortuitously enough, his former secretary in Honolulu, Cindy Lupton, moved to San Francisco earlier and she'll again be his secretary . . .

AFTER Hawaii's Russ Francis wrote a piece for a San Francisco paper about what it's like seeing new friends cut from the 49ers, sportswriters have been kidding him that they're about to suit up and stick their noses into his racket . . . Maytag's Lee Gray is just back from Korea where he saw first hand the reaction to Russia shooting down a Korean Airlines 747. On a

A-14 Honolulu Star-Bulletin Wednesday, September 28, 1983 •

Hayes on Salary in Rewald Case

U.S. Judge Martin Pence yesterday approved the hiring of Thomas Hayes as administrator in the bankruptcy of Bishop, Baldwin, Rewald, Dillingham & Wong.

Hayes, who had been interim trustee, had said he did not want to be permanent trustee because there is not enough money in the company to justify the amount of work the bankruptcy will take. A trustee gets 1 percent of all the money he handles. Instead, Hayes now will be doing the same work under the supervision of state Rep. Reynaldo Gaulty, but on a salary. Gaulty previously was approved as permanent trustee.

Today, Ronald R. Rewald's criminal attorney, Peter Wolff, was to go back to state court in an attempt to withdraw from the case. With all of Rewald's assets frozen by two court orders, Wolff contends Rewald can not pay his attorneys.

The head of the state public defender's office, Barry Rubin, has said in court documents that his office does not have the time or staff to handle the complex case. But Wolff has asked that Rewald's case be turned over to Rubin's office.

A Star-Bulletin article last week erroneously referred to Rubin as the head of the federal public defender's office.

A-16 Honolulu Star-Bulletin Thursday, September 29, 1983

Judge Again Rebuffs Attorneys for Rewald

A state judge yesterday again delayed ruling on a request by Ronald R. Rewald's criminal attorneys to withdraw from the case.

Circuit Judge Robert Won Bae Chang said Peter Wolff and Brooke Hart would first have to officially notify the public defender's office that it can begin an investigation into Rewald's financial status.

Hart and Wolff want to withdraw because Rewald is unable to pay them due to two federal court orders freezing all of his assets. They first made their request three weeks ago but Chang refused to rule until they formally asked U.S. Judge Martin Pence to release some of the frozen assets so Rewald could pay his attorneys.

At that time, Chang also told Hart and Wolff to notify the public defender's office that it could investigate Rewald's finances to see if he qualified to be represented.

THE ATTORNEYS said they did

not do so because state Public Defender Barry Rubin said in a federal court memorandum that he does not want the case assigned to his office.

Hart told Chang that taking Rewald's case "would bankrupt our law firm."

If Hart and Wolff are court appointed, they can receive only \$8,000 from the state for their fees. Hart said that would not even pay the secretary's salary during what would be a lengthy case. Hart said it probably will take at least two months just to pick a jury.

Rewald is charged with two counts of theft by deception in connection with money put into his bankrupt company Bishop, Baldwin, Rewald, Dillingham & Wong. He still is under investigation by state and federal grand juries in connection with his company.

Chang said he will hear arguments on the motion to withdraw again on Wednesday. A representative of the public defender's office also will be present, he said.

tendants, Masakatsu Nakayama
36, and Valao Pulefaasisina, 30
share his Atkinson Drive apart-
ment with him and that they
were driving his car when the
alleged extortionate demand

The Honolulu Advertiser Thursday, September 29, 1983 A-5
layama the evening of Aug. 6 at 11 a.m.

... a senior large Tokyo-based yakuza group \$20 million.
e in Ha-

Now the six family companies
are defunct or in bankruptcy
court and Higa said he has a
number of financial judgments
filed against him personally.

Lawyers: Rewald case too big for \$6,000

By Ken Kobayashi
Advertiser Staff Writer

The issue of who will represent Ron Rewald in his criminal theft case remained unresolved yesterday, mostly because no one wants the job.

Veteran defense attorney Brook Hart told Circuit Judge Robert W.B. Chang that his law firm will go bankrupt if it is forced to defend Rewald in a trial that could run as long as five months.

Hart said if his three-lawyer firm made enough money in other areas, he wouldn't mind handling the case, but he cited "family commitments," including a 15-month-old daughter.

By law, the maximum amount a court-appointed attorney would receive for representing Rewald would be \$6,000. Hart said working for such a fee would amount to a lawyer "donating" his time.

Hart suggested that the public defender's

office, with its 30 or more defense lawyers who have their salaries guaranteed each month, would be better able to handle the complicated case. Hart himself served as the state's first public defender.

The current public defender, Barry Rubin, doesn't agree.

Rubin already has said his office would be crippled if it had to handle such a case. Yesterday, he said his office is already handling about 15 felony trials each week and already has about 1,000 felony cases.

Before ruling, Chang said he first wanted to know if Rewald qualifies for a public defender. By next week, Rewald is supposed to apply for a state-paid attorney. In a court document, Rubin already has said he made a "preliminary determination" that Rewald has too many assets to qualify, even though they are under a court-ordered freeze.

Rubin said yesterday that the preliminary decision was based on media accounts of

the case. He said his office will review Rewald's application and make a formal determination on whether he is indigent.

Hart and his partner, Peter C. Wolff Jr., as private attorneys represented Rewald at his arraignment and mounted an unsuccessful attempt at convincing Chang to reduce their client's record \$10 million bail.

Since then, they've been trying to withdraw, contending that the federal court orders freezing Rewald's assets prevent them from being adequately paid.

Rewald was the former head of Bishop, Baldwin, Rewald, Dillingham & Wong, a company that was forced into federal bankruptcy proceedings. Federal Judge Martin Pence has ordered that an estimated \$2 million in assets be gathered and sold to repay part of the \$12 million invested by some 400 persons.

The criminal charges against Rewald accuse him of taking money illegally from two of the investors.

The Honolulu Advertiser
Tuesday, September 27, 1983 A-3

Forresters also among claimants

Another top military official invested money in the firm of Bishop, Baldwin, Rewald, Dillingham and Wong. The Advertiser has learned.

Lt. Gen. Eugene P. Forrester — who retired in the summer as head of the U.S. Army Western Command — filed a claim of \$4,502 in bankruptcy court on Sept. 23.

Also filing claims on the same day were Pamela Forrester and Elizabeth W. Forrester, who have addresses in Washington, D.C., listed in care of Lt. Gen. Forrester. Pamela Forrester filed a claim of \$15,661; Elizabeth Forrester filed a claim of \$4,502.

Lt. Gen. Arnold Braswell, who retired last week as commander of the Air Force in the Pacific, invested more than \$100,000 with Ronald Rewald's firm.

Rewald Operation Similar to Nugan Hand Ltd. Case

By Charles Memminger
Star-Bulletin Writer

Officials involved in the investigation of Ronald Rewald's bankrupt company were struck by the similarities between Rewald's operation and that of Australian financial entrepreneur Frank Nugan.

Like Rewald, Nugan built, around himself, a financial empire that evolved rapidly and established offices around the world. Nugan offered investors high returns on their investments and used former military and CIA officials as corporate officers and consultants.

After the news media began reporting about Rewald's troubled company, he attempted suicide. When Nugan's operation came under the scrutiny of government investigators, Nugan killed himself.

In both cases, hundreds of investors were out millions of dollars.

The natural question for officials in Hawaii investigating Rewald was whether Rewald had any connection with Nugan Hand Ltd., whether he used the Australian company as a model for his operation or whether it was merely a coincidence that Rewald's rise and fall was so similar to Frank Nugan's.

"There are so many parallels, it is difficult to imagine they are just coincidental," said Thomas Hayes, trustee of Rewald's bankrupt company, Bishop, Baldwin, Rewald, Dillingham & Wong.

However, Hayes said he has found no investors or consultants common to both companies.

ALTHOUGH there are individuals who were involved with both Frank Nugan and Ronald Rewald, police and other officials said they know of no direct connection between the two operations.

But because Rewald's rise coincided with the highly publicized fall of Nugan Hand in 1980, some observers believe Rewald's company might have been a "copycat" of Nugan's operation. Although Bishop, Baldwin, Rewald, Dillingham & Wong was formed in 1978, it really began to grow after 1980.

Anthony Granito, head of the police department's white-collar crime unit, said police are aware of the similarities between the two operations, but also have found no direct connection between the two.

But, Granito said, "We are not going to say there is not a connection yet."

The FBI apparently investigated a possible link between the two enterprises. Special agent Howard Dare said the FBI was "aware" of Nugan Hand and "could find no connection between that and Rewald's operation."

Hayes said he got an eerie feeling reading about Nugan Hand Bank and the rest of Nugan's operations because of the similarities to the Rewald case.

To understand Hayes' reaction, one first has to be familiar with

In Hawaii...

Friday, September 23, 1981 Honolulu Star-Bulletin

Nugan's operation and the parallels to Rewald's company.

Nugan, described as a frenetic young lawyer, formed his bank in 1976 with Michael-John Hand, a former Green-Beres who had handled some CIA operations in Laos after the Vietnam War.

ACCORDING TO news reports in the Wall Street Journal and the National Times, a newspaper in Australia, Hand and Nugan had previously run an investment-type company specializing in real estate speculation and tax shelters.

Rewald chose to start his company with partner Sunlin Wong, an Island real estate promoter. Rewald, too, started his company under a different name, CMI Investments, and later changed it to Bishop, Baldwin, Rewald, Dillingham & Wong.

After opening the bank in the Cayman Islands, Nugan Hand Inc. expanded dramatically, opening offices in Argentina, Chile, Taiwan, Malaysia, Europe, Hong Kong, Hawaii, San Francisco and other points around the world. Rewald opened branches in many of the same locations.

Investors poured millions into Nugan Hand Bank through the 22 offices around the world, based on promised returns of at least 15 percent, much higher than the prevailing rate at the time. Rewald attracted investors locally as well.

Nugan Hand collapsed just after it had established an office in Hawaii. When Rewald's company fell, it was in the process of establishing offices in New Zealand and possibly Australia.

Much of Nugan's success was due to the credibility of its officers and consultants, including former high-ranking military officers.

THESE INCLUDED:

—Adm. Earl P. Yates, former chief war planner, and policy maker for the U.S. Pacific Command in Hawaii, who was president of the Cayman Islands bank.

—Retired Army Gen. Ed Black, a Hawaii resident, who was president of Nugan Hand Inc.'s Hawaii office.

—Retired Air Force Gen. LeRoy J. Manor, chief of staff for the U.S. Pacific Command, who reportedly ran Nugan Hand's Manila office.

—William Colby, formerly head of the CIA, who worked for Nugan Hand in a variety of positions, including running the Nugan Hand office in Panama.

Gen. Black, when interviewed recently, said he knew of no connection between Nugan Hand and Rewald's company. He said

the Nugan office here never reopened.

He said he had met Rewald several times socially, but never was approached to be a consultant or asked to invest in Rewald's company.

Rewald, however, did court military and CIA officials here. Jack Kindschi, who was head of the CIA office here when Nugan Hand collapsed, eventually became a consultant to Rewald and invested in his company. Gen. Arnold Braswell, the recently retired commander of Pacific Air Forces, was considering joining Rewald's company. Retired Gen. Hunter Harris also had close ties to Rewald and was considering becoming a consultant.

DESPITE THE Nugan Hand's apparent healthy financial appearance, it was only a year after the bank was formed that problems began to develop. Australian police began investigating the possible involvement by Nugan and Hand in heroin trafficking. By 1978, questions about the company's business dealings and financial stability had surfaced. That year Nugan and his brother were charged with fraud concerning the activities of a Nugan-owned corporation.

That spooked investors and by 1979 Nugan was trying frantically to keep the bank and other related companies afloat.

Nugan was found shot to death in his Mercedes on a deserted road outside of Sydney. The death was officially classified a suicide. In his pocket was found the business card of lawyer William Colby. That card focused attention on the possibility that Nugan Hand might have been involved with the CIA.

When Rewald was found near death in a Walkiki hotel room, his suicide note referred to his alleged service to his country, which led to speculation that he might have been doing some intelligence work.

Events following Nugan's suicide and Rewald's attempted suicide are similar.

Within hours of the discovery of Nugan's body, company insiders began ransacking the offices and hauling off or destroying company files. A similar scene took place in Rewald's office, but the records later were turned over to the court.

THE AUSTRALIAN equivalent of a bankruptcy trustee quickly took over Nugan Hand in an attempt to recover company assets, but it appeared that the investors had been part of a swindle that amounted to some \$50 million. Bishop, Baldwin, Rewald, Dilling-

ham & Wong also was forced into bankruptcy and a trustee was appointed. It was discovered that \$12 million in investors' money was missing.

As the investigation of Nugan Hand intensified after Nugan's death, Michael Hand in late 1980 donned a disguise and slipped out of the country. He has not been seen since.

In contrast to investigations opened in on Rewald's company, Sunlin Wong, company president, resigned and began telling what he knew to a federal grand jury.

Rumors of CIA involvement, drug smuggling and gun running swirled in the wake of Nugan Hand's collapse. But government officials said any possible espionage activities had nothing to do with the apparent swindle of investors.

"If the CIA or any other intelligence organization had intended to use Nugan Hand as a cover for covert operations, it was a clumsy attempt and one would have expected a more professional effort from an intelligence organization," a government report said.

U.S. JUDGE Martin Pence made a somewhat similar remark about Rewald's CIA connections. In issuing a court order sealing some classified documents found in Rewald's files, Pence wrote: "Rewald, through his contacts with members and former members of the CIA, considered himself a more important, undisclosed private associate of the CIA organization than he was in fact. This judge saw nothing in the documents to indicate that any of Rewald's slight involvements with intelligence activities explained any of the financial actions of this company."

Frank Nugan and Ronald Rewald shared a common personality trait: Other than their desire to run international corporations and associate with powerful people, they also both liked to spend money on themselves.

Nugan was known to spend money "in frantic style." According to news reports, he paid \$500,000 to remodel his lavish waterfront home, hauling in a boat to make a beach. Shortly before his death, he had arranged to buy a \$2.2 million estate.

According to court testimony, Rewald spent up to \$250,000 a month for his personal expenses, including the upkeep of his many polo ponies, his two ranches and his \$1 million Kailua home.

THERE IS a big difference between the two men and their operations, however.

Authorities do have Rewald's files and key people in Rewald's operation, such as Wong, are apparently cooperating with investigators. And unlike Nugan, Rewald still is around to talk if he ever wants to.

Because of all this, people will one day learn exactly what it was Rewald's company did and what happened to the millions of dollars invested in it.

Much of Nugan Hand still remains a mystery.

Too Burdensome for Public Defender

Rubin Wants No Part of Rewald

By Charles Memminger
Star-Bulletin Writer

The head of the federal public defender's office does not want to be office to represent Ronald R. Rewald because the case would be too time-consuming for his already overworked staff.

Rewald's present criminal attorneys, Brook Hart and Peter Wolff, have asked that they be allowed to withdraw from the case because Rewald cannot pay them. Hart and Wolff made one more attempt this week to have some of Rewald's frozen assets released to pay their fees, but S. Judge Martin Pence refused on the grounds that some of Rewald's assets came from investors' money.

One of those submitting a memorandum in favor of the money being released yesterday was Barry Rubin, head of the

public defender's office. Rubin wrote in a "friend of the court" brief that Pence's ruling not to release funds could have a "crippling effect upon the criminal justice system of the state."

Rubin filed the federal court brief knowing that if Hart and Wolff are allowed to withdraw, his office probably would be assigned the case.

"Under present conditions, the limited resources of the Office of the Public Defender are insufficient to handle even its current caseload," he wrote. "The addition of an extraordinarily complex case would require expenditure of time and manpower that would severely tax the resources of the office."

RUBIN URGED that Pence release \$6,000 of Rewald's assets to Hart and Wolff — the same amount of money a court-appointed attorney would receive to han-

dle Rewald's case. He suggested that Hart and Wolff have profited from publicity and now want to get off the case before it costs them money.

"The present counsel has already availed themselves of the prodigious amount of publicity that has surrounded this case," Rubin wrote. "Should this court deny the request for the release of assets now, present counsel would in effect be permitted to profit from the initial publicity and then extricate itself in time to avoid the costs and hardships of proceeding further by unloading the burden on this office."

Wolff was surprised that Rubin would file such a memorandum, possibly raising a conflict-of-interest issue between Rewald and Rubin's office.

He said not only has his office not profited from the publicity surrounding the case, it might

have lost business because potential clients may not have called thinking his office was too busy with the Rewald case.

As for Rubin's suggestion that Hart and Wolff handle Rewald's case for \$6,000, Wolff said his office probably already has done work worth more than that. He said it was remarkable that Rubin would say his "30-lawyer office" would be crippled by the case, but that Wolff's firm's "three-man office" could handle the case for \$6,000.

In other developments in the Rewald case, a secret Oahu grand jury apparently met yesterday to continue its investigation of Rewald and his bankrupt company Bishop, Baldwin, Rewald, Dillingham & Wong. A number of former employees of the office had been subpoenaed to testify, including Sue Wilson, Rewald's former office manager.